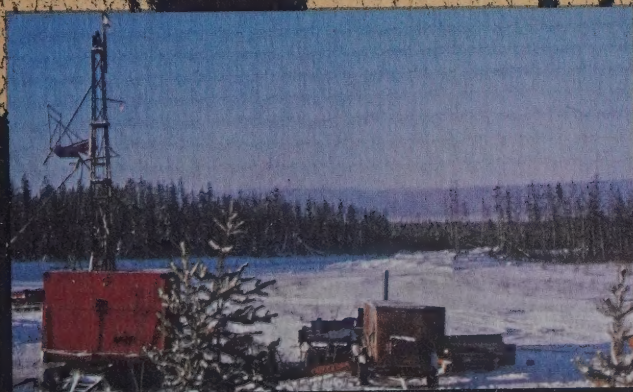


AR41

Western Mines Limited



Annual Report
1976



COMPANY OFFICES

Head Office and Western Exploration Office
1103-Three Bentall Centre
595 Burrard Street
Vancouver, B.C.
V7X 1C4

Eastern Exploration Office
Suite 1414
390 Bay Street
Toronto, Ontario
M5H 2Y2

Mine Office
P. O. Box 8000
Campbell River, B.C.
V9W 5E2

OFFICERS

A. William Farmilo, Chairman of the Board
Hugh R. Snyder, President and Chief Executive Officer
Arthur E. Soregaroli, Vice-President — Exploration
Raymond O. Hampton, Secretary-Treasurer

MINE MANAGEMENT

Gunnar I. Dziny, Manager of Operations
Edward Sader, Assistant Manager
Allyn J. Steward, Mine Superintendent
Albert G. Eccles, Mill Superintendent
Norman T. McGeachy, Chief Accountant
George J. Shiels, Plant Superintendent

EXPLORATION

Bruce E. Spencer, Exploration Manager, Western Canada
Bruce K. McKnight, Exploration Manager, Eastern Canada

SOLICITORS

Lawrence & Shaw

AUDITORS

Coopers & Lybrand

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust

BANKER

Bank of Montreal

SHARES LISTED

Vancouver Stock Exchange
Toronto Stock Exchange

DIRECTORS

A. William Farmilo, Calgary †
President, Brascan Resources Limited

Edward C. Freeman-Attwood, Toronto
President, Brascan Limited

George M. Furnival, Calgary †
Senior Vice-President
Brascan Resources Limited

Roger T. Hager, Vancouver
Retired Chairman
The Canadian Fishing Company

Lloyd B. Leeming, Toronto
Consultant, Brascan Limited

John A. McLallen, Vancouver
Chairman of the Board
Bethlehem Copper Corporation

Douglas W. Miller, Calgary †
Executive Vice-President
Brascan Resources Limited

Richard H. Ostrosser, Calgary
Vice-President, Brascan Resources Limited

Patrick M. Reynolds, Vancouver *
Vice-Chairman and Chief Executive Officer
Bethlehem Copper Corporation

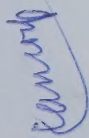
Hugh R. Snyder, Vancouver †
President and Chief Executive Officer

Harold M. Wright, Vancouver †
Chairman, Wright Engineers Limited

J. Peter Zachary, Toronto *
Vice-President, Brascan Limited

† Executive Committee

* Audit Committee




WESTERN MINES LIMITED

To the Shareholders:**EARNINGS**

Net earnings for the six-month period ended June 30, 1976 amounted to \$309,674 or 6¢ per share compared with \$122,205 or 2¢ per share for the similar period in 1975. The most significant changes in the income statement for the current year are the increase in net smelter return of 14% reflecting higher grades and copper prices, increased production costs of 25% reflecting the accelerated mine exploration and development program and higher labour costs, exchange losses incurred in the current year and a decrease of 31% in the provision for taxes in the current year. Cash flow from operations is \$879,169 or 17¢ per share, slightly higher than cash flow in 1975 of \$848,509 or 16¢ per share. Working capital is \$11,430,260, an increase of \$670,909 from the end of 1975.

PRODUCTION

Tonnage milled averaged 847 tons per calendar day during the quarter compared to 846 tons per day in 1975. Lateral development and diamond drilling increased by 38% and 50% respectively, whilst vertical development decreased by 9% reflecting a shortage of raise miners.

EXPLORATION

A mineralized zone some 1,600 feet long and 400 feet wide containing an estimated 2.8 million tons grading 11.9% zinc and 4.1% lead has now been indicated by diamond drilling at 200 foot centres on the Great Slave Reef Joint Venture being conducted with Du Pont of Canada Exploration Limited. Detailed diamond drilling adjacent to other significant intersections is planned this winter after geophysical and geochemical surveys are completed.

As a result of the reconnaissance of Kuroko or volcanogenic type ore environments undertaken in the United States in 1975, rights to two properties have now been acquired in Northern California and preliminary exploration has commenced there. An option agreement with Sheba Copper Mines Limited has been signed and a percussion drilling program is currently in progress on that company's Highland Valley property.

In the second quarter, the Company purchased from Brascan Resources Limited 100% of their interest in eleven mineral properties and a portion of their interest in four other properties for \$580,500. Approximately 50% of this purchase price is attributable to strategically located uranium properties in Ontario, Northwest Territories and Saskatchewan where summer field programs are currently in progress.

TAXATION

In June, the British Columbia Mineral Resource Tax Act was introduced by the Provincial Government to replace the existing British Columbia Mining Tax, Mineral Royalties and Mineral Land Tax legislation. As a result the effective taxation rate on Canadian income for the six months ended June 30, 1976 has been reduced to 63%.

HUGH R. SNYDER
President and Chief Executive Officer

Vancouver, B.C.
August 16, 1976

INTERIM REPORT TO SHAREHOLDERS

QUARTER ENDED JUNE 30, 1976

WESTERN MINES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

(Prepared Without Audit)

Three Months ended June 30 1976
Six Months ended June 30 1975

(Expressed in Canadian currency)

REVENUE	1976	1975
Concentrate revenue less treatment and marketing charges	\$4,281,951	\$7,495,439

OPERATING COSTS (INCOME)

Production	2,709,252	5,234,527	4,197,187 *
Administration	142,044	241,145	258,143 *
Depreciation and amortization	341,744	683,338	867,448
Exploration	583,143	944,981	959,737 *
Interest and other income	(166,443)	(266,366)	(416,743)
Loss (gain) on disposal of fixed assets	38,836	40,257	(7,144)
Exchange losses and other expenses	119,400	295,116	
	3,767,976	7,172,998	5,858,628

EARNINGS BEFORE TAXES

PROVISION FOR TAXES

British Columbia	513,975	1,355,074	1,636,811
Royalties and mineral land tax	154,500	343,900	536,527
Mineral resource tax	145,380	250,500	214,074
Corporation income taxes	299,880	594,400	215,484
			966,085

Canada
Corporation income taxes

NET EARNINGS

Shares outstanding less repurchased	180,681	451,000	548,521
Earnings per share	480,561	1,045,400	1,514,606
Cash flow per share	\$ 33,414	\$ 309,674	\$ 122,205
	5,226,966	5,226,966	5,181,516
	1¢	6¢	2¢
	7¢	17¢	16¢

* Reclassified

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

1976 1975

SOURCE OF FUNDS

Net earnings for the period	\$ 309,674	\$ 122,205
Add: Items not requiring the use of working capital		
Depreciation and amortization	683,338	867,448
Loss (gain) on disposal of fixed assets	40,257	(7,144)
Reduction in provision for future taxes	(154,100)	(134,000)

From operations	879,169	848,509
Capital stock issued	22,774	
Other	17,736	
	919,679	848,509

USE OF FUNDS

Fixed asset additions	244,770	92,704
Deferred development	4,000	57,965
Investments	248,770	284,796
		435,465
	670,909	413,044
	10,759,351	11,142,102
	\$11,430,260	\$11,555,146

OPERATING STATISTICS

Three Months ended June 30 1976
Six Month ended June 30 1975

TONS OF ORE MILLED	1976	1975
	77,046	158,250

ORE GRADES

Copper %	1.24	1.19	1.17
Zinc %	7.61	7.86	7.55
Lead %	1.42	1.46	1.41
Gold - oz.	.087	.091	.084
Silver - oz.	4.76	4.73	4.54

RECOVERIES %

Copper	80.66	79.71	80.04
Zinc	81.12	81.45	81.77
Lead	80.41	81.76	80.61

CONCENTRATE GRADES %

Copper	27.43	27.82	28.71
Zinc	52.90	52.50	51.90
Lead	42.88	42.51	42.17

AVERAGE QUOTED METAL PRICES

(U.S. Dollars)	\$.70	\$.63	\$.57
Copper	.38	.38	.39
Zinc	.22	.19	.21
Lead	126.61	129.17	172.77
Gold	4.60	4.35	4.35
Silver	2.67	2.40	4.00
Cadmium			

Signed on behalf of the Board

A.W. Farnilo, Director

H.R. Snyder, Director

INCREASE IN WORKING CAPITAL
WORKING CAPITAL - BEGINNING OF PERIOD
WORKING CAPITAL - END OF PERIOD

Western Mines Limited

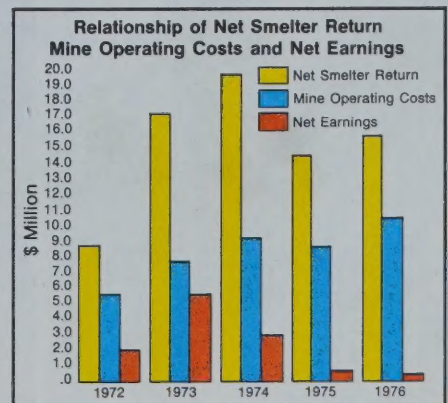
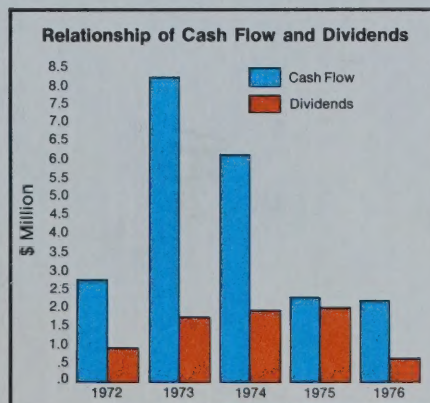
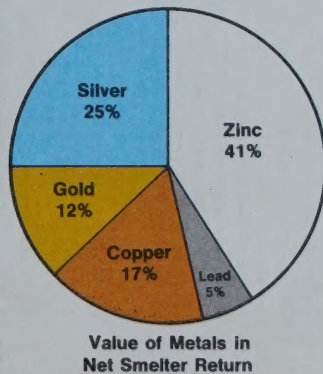
and subsidiary companies

COMPARATIVE HIGHLIGHTS

	1976	1975
Net earnings	\$ 318,909	\$ 664,174
Net earnings per share	\$.06	\$.13
Dividends paid	\$ 532,894	\$ 2,085,426
Dividends per share	\$.10	\$.40
Shares outstanding at year end	5,328,938	5,213,566
Number of shareholders	3,828	4,504
Capital expenditures — net	\$ 579,283	\$ 359,531
Working capital	\$11,945,019	\$10,759,351
Tons milled	296,846	287,393
Average tons per operating day	933	844
Copper concentrate produced, tons	9,934	8,877
Zinc concentrate produced, tons	35,604	34,416
Lead concentrate produced, tons	7,981	7,613
Ore reserves, tons proven	1,704,000	1,731,300
Payable metal		
Copper -lbs.	5,186,503	4,918,669
Zinc -lbs.	32,009,734	31,648,667
Lead -lbs.	5,947,569	5,545,057
Gold -oz.	17,832	16,521
Silver -oz.	1,068,315	958,187
Cadmium -lbs.	63,503	61,382
Average number of employees	325	276
Total company payroll	\$ 5,914,903	\$ 4,746,796

ANNUAL GENERAL MEETING

The Annual General Meeting of Western Mines Limited will be held on Friday, May 27, 1977, at 10:30 a.m. in the Four Seasons Hotel, Vancouver, B.C.



Annual Report of the Board to the Shareholders

There was an increase in ore mined and all metals produced at the Company's Butte Lake mine in 1976 compared to 1975. The level of mine exploration and development was also significantly higher as a result of which a new ore zone, the 'S' zone, was discovered and ore reserves were maintained at approximately the 1975 level. Nineteen outside properties, twelve of which were acquired from Brascan Resources at mid year, were investigated by the Company and seven of these were drilled. The Company's most important program is being conducted on the Great Slave Reef project, Northwest Territories where a significant accumulation of zinc and lead mineralization was drill indicated during the year. Significant encouragement was also obtained on the Costigan and Dubawnt uranium properties in Saskatchewan and Northwest Territories. These properties were acquired from Brascan Resources. Net smelter return on your Company's products for the year was \$15.6 million compared to \$14.6 million in 1975. However, increased costs reflecting the increased mine exploration and development activity and, particularly, the level of outside exploration reduced earnings from \$0.7 million in 1975 to \$0.3 million for the year. Tax exposure was significantly reduced through implemen-



A. W. Farmilo

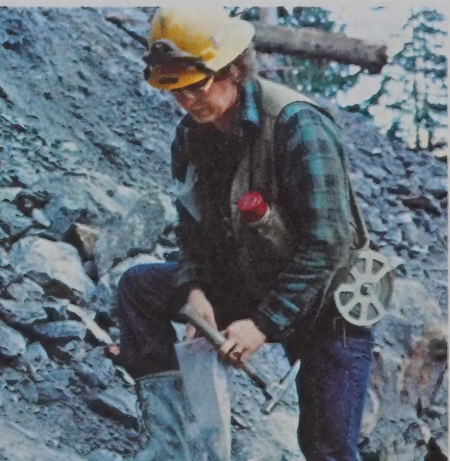
tation of the new Mineral Resources Tax Act and the shelter provided through the increased activities. As a result, cash flow in 1976 at \$2.1 million was approximately the same as that achieved in 1975. After payment of a dividend of ten cents per share, net working capital increased by \$1,185,668 to \$11,945,019 at the end of 1976.

Mine production for 1977 is scheduled at approximately the 1976 level and a further significant increase in mine exploration and development is planned. Outside exploration costs will be reduced to the 1975 level but the Company's level of activity and exposure will be maintained through further joint ventures; in particular a planned farmout on a small portion of the Company's equity in the

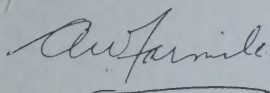


H. R. Snyder

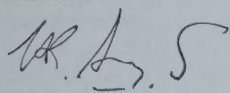
Great Slave Reef/West Reef Projects and a joint venture currently under negotiation with a major European utility on the uranium program will significantly reduce the Company's exploration expenditures but greatly enhance exposure. Based on prevailing metal prices, similar earnings are anticipated in 1977 as those achieved in 1976. Should these prices deteriorate, consideration will be given to a reduction of the mine exploration and development expenditures and a further reduction in outside exploration expenditures. Diversification of the Company's asset and earnings base remains an important objective, and once again an active search for an acquisition appropriate to the Company's needs will be undertaken.



The Board of Directors elected Mr. A. W. Farmilo, Chairman of the Board in mid year, filling the vacancy created by the retirement of Mr. W. G. Jewitt at the end of 1975. Dr. A. E. Soregaroli assumed the position of Vice President - Exploration during the year and Mr. G. I. Dziny was appointed Manager of Operations. It is with regret that we record the death in December, 1976 of Mr. Ernest C. Hammond, an honorary Director of your Company and a key figure in the early development of the Company. On behalf of the Board



A. W. Farmilo
Chairman



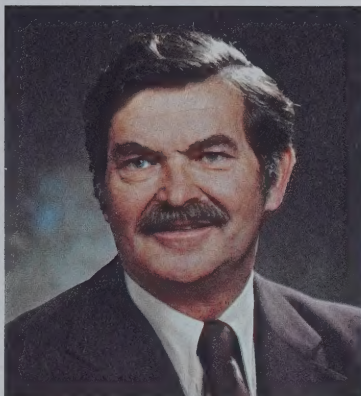
H. R. Snyder
President and Chief Executive Officer

March 14, 1977

OPERATIONS

Production

The year saw an increase in percentage of ore mined underground, from 81.8% in 1975 to 91.4% in 1976. 8.6% was extracted from the Myra Open Pit.



G. I. Dziny

Tons milled increased from 287,393 tons in 1975 to 296,846 tons in 1976. As the majority of key operating personnel are long term employees and entitled to extended vacation periods, the July holiday shutdown was increased from two to three weeks, decreasing the number of operating days from 325 in 1975 to 318 in 1976. Average daily

mill throughput was increased from 884 tons per day to 933 and, together with higher ore grades and slightly improved mill recoveries, concentrate production increased from 8,877 tons in 1975 to 9,934 tons in 1976 (copper), from 7,613 tons to 7,981 tons (lead), and from 34,416 tons to 35,604 tons (zinc).

A considerable improvement was noted in Company-Union relations during 1976. Labour turnover and absenteeism dropped to a record low, contributing to improved production efficiencies.

Mine Exploration and Development

Advantage was taken of an improved taxation situation facing your Company during 1976 to expand the exploration and development programme at the Buttle Lake operation. Underground

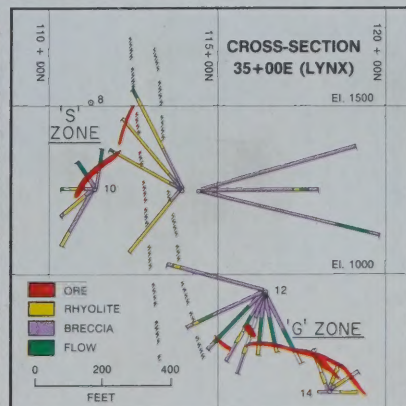
Ore Reserves

Proven ore reserves as of January 1, 1977 were:

	Tons	Gold Oz./Ton	Silver Oz./Ton	Copper %	Lead %	Zinc %
Lynx	1,073,800	0.08	2.7	1.4	0.9	8.1
Myra Standard	490,800	0.10	5.4	0.9	1.5	7.3
Myra High Grade	90,900	0.20	15.2	0.8	3.1	10.6
Stockpile	48,500	0.04	1.1	0.6	0.6	5.5
	1,704,000	0.09	4.1	1.2	1.2	7.9

Proven ore reserves as of January 1, 1976 were:

1,731,300	0.09	4.2	1.2	1.2	7.9
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development increased from 12,050 feet in 1975 to 14,732 feet in 1976 and underground diamond drilling from 24,457 feet to 40,368 feet. Consequently, tonnage added to ore reserves during the year was almost sufficient to replace tonnage mined. Also, the new 'S' ore zone, containing metal values slightly higher than mine average, was discovered.

Operating Costs

With increased diamond drilling, mine development and exploration, expenditures in these areas rose from \$651,812 (1975) to \$834,325 (1976) which, together with inflationary pressures, were the principal causes of operating costs increasing from \$30.05 per ton in 1975 to \$34.07 in 1976. Additionally, \$273,191 was expended on exploration work in the Price Creek area in 1976 as compared to nil in 1975. Other factors contributing to higher operating costs were the continuation of maintenance projects required for increased exploration, development and underground mining activities which were delayed during 1975.

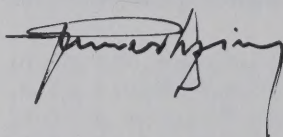
Environmental Control

Despite exceptionally stringent standards, monitoring by the Pollution Control Board shows that all

characteristics are being maintained at satisfactory levels. Additionally, tests performed by the Board on water quality and fish life in Buttle Lake confirm the acceptable practices initiated and maintained by the mine.

General

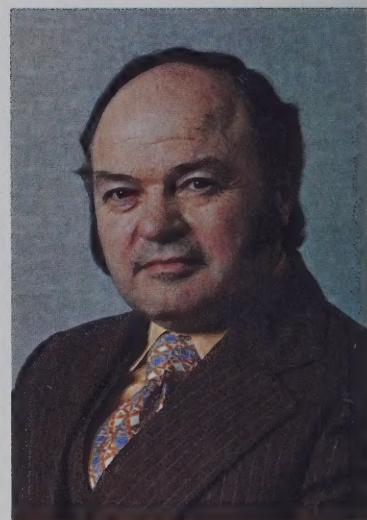
Mr. E. Sader was appointed Assistant Manager and Mr. A. Steward was appointed Mine Superintendent.



G. Dziny
Manager of Operations

OUTSIDE EXPLORATION

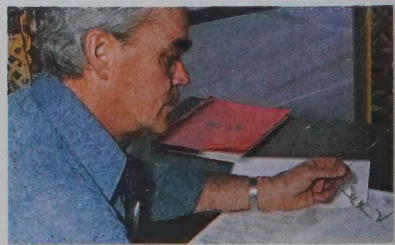
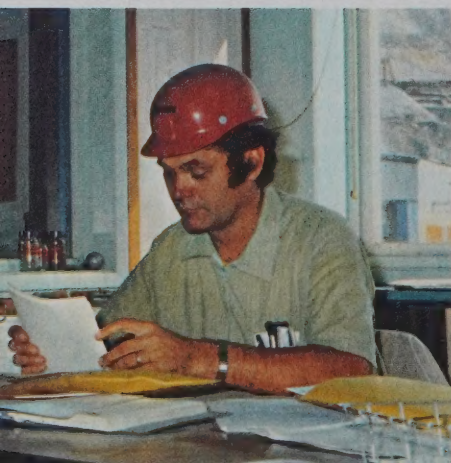
Outside exploration expenditures in 1976 totalled \$3,034,990 of which \$580,500 were for acquisition of mining properties and other assets from Brascan Resources Limited for 89,722 shares. Exploration was largely directed towards the search for lead-zinc deposits in carbonates (Great Slave Reef) and for uranium deposits acquired from Brascan. Additional search was directed towards volcanogenic massive sulphides, porphyry cop-



A. E. Soregaroli

per-molybdenum, gold-silver and base metal deposits. Nineteen properties were actively explored during the year, seven of which were drilled.

During 1976 Western Mines established an exploration office in Toronto to complement the exploration efforts in western Canada. Toronto exploration personnel, under the direction of Bruce K. McKnight, are charged with uranium exploration in Canada and with base and precious metal search in eastern Canada. Exploration in western Canada, which is largely base metal oriented, is directed by Bruce E. Spencer.



Principal properties investigated were:

(A) Great Slave Reef/West Reef Projects (Northwest Territories)

Work on the Great Slave Reef/West Reef projects resulted in the discovery of a significant lead-zinc deposit. These joint ventures of Western Mines and Du Pont of Canada Exploration Limited acquired and partially explored a 26-mile western extension of the Pine Point lead-zinc district. Exploration of the area, which is devoid of outcrop, is accomplished by three phases of diamond drilling aided by geophysical (I.P.) and geochemical (rock chip from drill core) surveys.

During 1976 one hundred and thirty holes totalling 105,000 feet were completed as a result of which a significant zone of mineralization, the X-25 deposit was discovered and partially delineated. Drill indicated reserves of this zone at year end 1976 were 2,813,000 tons grading 11.9% zinc and 4.1% lead. Other mineralized drill intercepts require additional follow-up drilling (Phase III).

(B) Uranium Project

The search for uranium ores which began as a Brascan Resources Limited project was continued

through Western Mines in 1976. The project involves the development of working models of uranium genesis and the application of these models to the search for uranium ores.

During 1976 exploration was performed on seven uranium properties in Saskatchewan, the Northwest Territories and Ontario, the most important of which are:

1. Costigan (Saskatchewan)

The Costigan property covers 42,000 acres immediately south of the important Key Lake uranium property. The property is being explored by Scurry Rainbow Oil Limited and Western Mines under terms of a 50/50 joint venture. Geological mapping, prospecting, geochemical and geophysical surveys have delineated anomalous areas which will require considerable effort in 1977.

2. Westgate (Saskatchewan)

In the fall of 1976 a claim block which straddles the contact of the Athabasca Sandstone and the underlying Aphebian metamorphic rocks on the south margin of the Athabasca Basin was acquired by Western Mines. Preliminary evaluations have been inconclusive and further work is required in 1977 to fully evaluate the potential of this claim block.

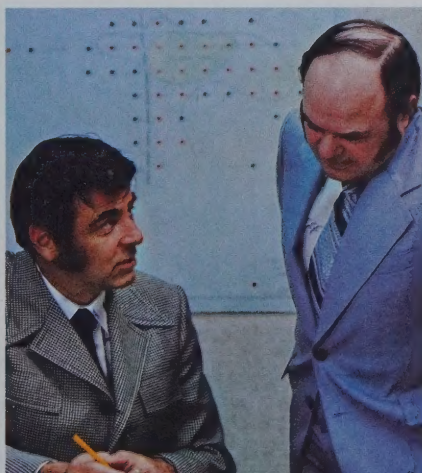
3. Dubawnt (Northwest Territories)

Three prospecting permits about one hundred miles northwest of Baker Lake were evaluated by means of prospecting, geological mapping and radiometric and geochemical (water and lake sediment) surveys. Several radioactive showings and geochemical anomalies in geologically favorable areas require considerable detailed testing in 1977.

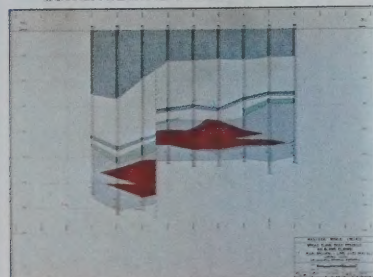
(C) Volcanogenic Massive Sulfide Deposits

1. Kuroko Project (Northern California)

Inspection of several mining districts in western United States in search for volcanogenic zinc-copper ores similar to those at Butte Lake led to acquisition of the Bully Hill-Rising Star and the Afterthought properties in the East Shasta district of northern California. Both properties have recorded production and indications are that considerable zinc ore remains in the Bully Hill mine. Geological studies were completed on both properties and were accompanied by geophysical (I.P.) and geochemical (soil) surveys on the Afterthought property. Several anomalous conditions defined by these surveys will require evaluation in 1977.



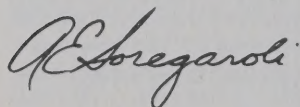
LONGITUDINAL SECTION OF X-25 ZONE



2. Yava Project (Northwest Territories)

The Yava joint venture between Brascan Resources Limited, Con-west Exploration Company Limited and S. Roscoe, was formed to evaluate the southerly extension of the greenstone belt that hosts the Bathurst Norsemes Limited volcanogenic zinc-copper-lead-silver deposits. The joint venture has staked about thirty miles of favorable geology and has investigated several airborne geophysical anomalies and gossan areas in the claim block. One massive sulphide zone, the Yava No. 1 Zone, has been partially drilled. Other anomalous areas were less productive.

In 1976 Western Mines acquired part of the Brascan Resources Limited interest in the property. Exploration during the year was limited to detailed geological studies combined with geochemical and geophysical surveys aided by hand trenching. Two additional geological targets, as well as the Yava No. 1 Zone, require further evaluation.



A. E. Soregaroli
Vice President—Exploration

1976 FINANCIAL REPORT

Consolidated net earnings in 1976 were \$318,909 or 6¢ per share, compared to \$664,174 or 13¢ per share in 1975. Cash flow from operations was \$2,051,882 or 39¢ per share compared to \$2,307,328 or 44¢ per share in 1975.

The working capital position of the Company at the beginning of the year was \$10,759,351. This was improved by the aforementioned cash flow from operations of \$2,051,882 supplemented by \$48,969 from stock option payments, proceeds from sale of fixed assets of \$18,389 and a reclassification of taxes of \$228,148. Working capital was utilized for dividends of \$532,894, investments \$31,053, and development, property, plant and equipment additions of \$597,773. This resulted in a working capital balance of \$11,945,019 at year end.

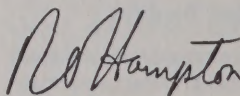
A significant portion of the Company's cash position was maintained in U.S. funds throughout the year. While this produced less interest income, it was possible to utilize this revenue in offsetting U.S. exploration expenditures. The improvement in the value of the U.S. dollar in relation to the Canadian dollar near year end raises the possibility of converting these funds if further improvement materializes. The strengthening of the U.S. dollar will have a positive



R. O. Hampton

effect on 1977 as all smelter payments are received in this currency.

Taxation policies were improved in 1976 when the B.C. Government repealed the Mineral Royalties Act, the Mineral Land Tax Act and the Mining Tax Act. These Acts were replaced by the Mineral Resource Tax Act which imposes a tax at the effective rate of 15% on profits derived from B.C. mining operations. Profits from operations in British Columbia of a Canadian mining company will be subject to a maximum overall tax rate of 57% compared to the effective tax rate of 76% to which your Company was subjected in 1975.



R. O. Hampton Secretary-Treasurer



CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1976

	1976	1975
	\$	\$
Revenue from Concentrates Produced	22,892,665	21,456,705
Less: Treatment and marketing charges.....	7,236,986	6,860,999
	15,655,679	14,595,706
Operating Costs		
Production.....	10,113,320	8,635,772
Administrative office	481,377	630,721
Depreciation and amortization	1,489,697	1,609,445
	12,084,394	10,875,938
Operating Earnings	3,571,285	3,719,768
Other Expense (Income)		
Exploration and property costs (note 4(a)).....	3,034,990	1,544,927
Deferred development written off.....		272,009
Write down of investments.....	4,217	37,146
Loss on disposal of property, plant and equipment	39,559	554
Interest earned on short-term investments	(456,452)	(755,749)
Other income.....	(46,938)	(154,293)
	2,575,376	944,594
	995,909	2,775,174
Income and Mineral Resource Taxes (note 5)		
Current	1,058,000	2,387,000
Deferred.....	(381,000)	(276,000)
	677,000	2,111,000
Net Earnings for the Year	318,909	664,174
Earnings Per Share	6¢	13¢

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1976

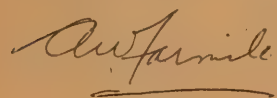
ASSETS

	1976 \$	1975 \$
Current Assets		
Cash and short-term investments, at cost which approximates market value	8,521,541	7,509,040
Concentrate settlements and other accounts receivable	1,664,276	960,532
Inventories		
Concentrates, at estimated net realizable value.....	2,208,327	3,353,498
Materials and supplies, at cost.....	945,429	951,917
	<u>13,339,573</u>	<u>12,774,987</u>
 Investments — at cost or written-down value	 424,067	 397,231
 Property, Plant and Equipment (note 2)	 6,668,462	 7,171,391
 Deferred Development — at cost less amortization (note 3)	 511,811	 958,754
	<u>20,943,913</u>	<u>21,302,363</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1976 \$	1975 \$
Current Liabilities		
Accounts payable and accrued liabilities	793,999	870,549
Income and mineral resource taxes payable	600,555	328,316
Royalties and mineral land taxes payable		816,771
	<u>1,394,554</u>	<u>2,015,636</u>
Deferred Income and Mineral Resource Taxes	<u>1,606,442</u>	<u>1,759,294</u>
Total liabilities	<u>3,000,996</u>	<u>3,774,930</u>
 Shareholders' Equity		
Share Capital (note 4)		
Authorized —		
12,000,000 common shares of no par value		
Issued and fully paid —		
5,328,938 shares (1975 — 5,213,566 shares)	9,116,827	8,487,358
Earnings reinvested in the business	8,826,090	9,040,075
Total shareholders' equity	<u>17,942,917</u>	<u>17,527,433</u>
	<u>20,943,913</u>	<u>21,302,363</u>

SIGNED ON BEHALF OF THE BOARD

 Director

 Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1976

	1976 \$	1975 \$
Source of Working Capital		
Net earnings for the year	318,909	664,174
Add: Items not affecting working capital		
Depreciation and amortization	1,489,697	1,609,445
Loss on disposal of property, plant and equipment	39,559	554
Deferred income and mineral resource taxes	(381,000)	(276,000)
Write down of investments	4,217	37,146
Deferred development		272,009
Property costs written off (note 4(a))	580,500	
From operations	2,051,882	2,307,328
Reclassification of current taxes payable to deferred	228,148	
Proceeds on disposal of fixed assets	18,389	85,644
Share capital issued (net of shares issued for mineral properties and other assets note 4(a))	48,969	61,732
Other		3,855
	<u>2,347,388</u>	<u>2,458,559</u>
Use of Working Capital		
Dividends	532,894	2,085,426
Investments (net)	31,053	262,420
Property, plant and equipment	597,672	445,175
Deferred development	101	48,289
	<u>1,161,720</u>	<u>2,841,310</u>
Increase (Decrease) in Working Capital	1,185,668	(382,751)
Working Capital – Beginning of Year	10,759,351	11,142,102
Working Capital – End of Year	<u>11,945,019</u>	<u>10,759,351</u>
Working Capital is Represented by:		
Current assets	13,339,573	12,774,987
Current liabilities	1,394,554	2,015,636
	<u>11,945,019</u>	<u>10,759,351</u>

CONSOLIDATED STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS

FOR THE YEAR ENDED DECEMBER 31, 1976

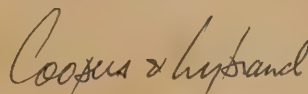
	1976 \$	1975 \$
Beginning of Year	9,040,075	10,461,327
Net earnings for the year	318,909	664,174
	9,358,984	11,125,501
Dividends — 10¢ per share in 1976, 40¢ in 1975	532,894	2,085,426
End of Year	8,826,090	9,040,075

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Western Mines Limited as at December 31, 1976 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 10, 1977



Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These financial statements include the accounts of the company and its wholly-owned active subsidiaries, Western Mines Inc. and Western Coal Holdings Inc., which are engaged in mining exploration activities in the United States.

(b) Translation of foreign currencies

Current assets and current liabilities in foreign currencies are translated at year-end rates. Non-current assets, related depreciation and non-current liabilities are translated at the rates applicable at the time of the relevant transactions. Revenues and expenses, other than depreciation, are at average rates of exchange for the year. Exchange adjustments are included in the determination of net earnings.

(c) Concentrate settlements receivable and concentrate inventories

Concentrate settlements receivable are valued at the metal prices prevailing at the time of shipment less provision for estimated market adjustments, treatment and marketing charges. In accordance with the terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts eventually received by the company may vary from the amounts shown as concentrate settlements receivable at December 31, 1976.

Concentrate inventories are valued at the metal prices at December 31, 1976, less provision for estimated market adjustments, treatment and marketing charges.

(d) Depreciation and amortization

Depreciation and amortization of mining properties, plant and equipment are calculated on a basis relating to production and ore reserves. Automotive equipment is depreciated on the same basis or at the rate of 20% of cost on a straight-line basis whichever is greater. Staff housing, located in the Campbell River area, is depreciated at the rate of 5% per annum on a straight-line basis.

(e) Deferred development

Exploration expenditures including acquisition costs and related administration overhead are charged against earnings as incurred. Once economically recoverable reserves have been established, expenditures associated with that project are capitalized until production commences.

Deferred development represents the cost of development relating to areas where economically recoverable mineral, oil and gas reserves are established, less amortization. These costs are amortized over the life of the reserves from the time production commences or written-off if the project is abandoned.

(f) Income and mineral resource taxes

The company follows the tax allocation basis of accounting for corporate income and mineral resource taxes. Taxes deferred to future years as a result of claiming for tax purposes amounts different from those recorded in the accounts are charged against current operations and are recorded in the balance sheet as deferred income and mineral resource taxes. The timing differences relate primarily to depreciation and deferred development costs.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation and amortization are:

	1976		1975	
	Cost \$	Accumulated depreciation and amortization \$	Net \$	Net \$
Mining properties...	203,903	81,590	122,313	142,713
Plant, roads and equipment.....	12,354,875	6,137,399	6,217,476	6,663,811
Underground capital development	231,872	104,211	127,661	148,963
Staff housing.....	342,064	141,052	201,012	215,904
	<u>13,132,714</u>	<u>6,464,252</u>	<u>6,668,462</u>	<u>7,171,391</u>

3. DEFERRED DEVELOPMENT

	1976	1975
	\$	\$
Beginning of year.....	958,754	1,638,661
Expenditures during the year.....	101	48,289
	<u>958,855</u>	<u>1,686,950</u>
Amortization and write-offs during the year		
Charged to operating costs.....	447,044	456,187
Charged to other expense.....		272,009
	<u>447,044</u>	<u>728,196</u>
End of year.....	<u>511,811</u>	<u>958,754</u>

4. SHARE CAPITAL

(a) By agreement dated June 30, 1976, the company acquired certain mineral properties and other assets from Brascan Resources Limited in exchange for 89,722 shares of the company issued at \$6.47 per share (\$580,500). The acquisition cost has been charged to operations in the current year in accordance with the company's stated accounting policies and is included in exploration and property costs in the consolidated statement of earnings.

(b) A total of 25,650 shares was issued for cash of \$48,969 under terms of stock option plans available to employees and a consultant. As at December 31, 1976, 94,100 shares remain outstanding under existing stock options, exercisable at varying dates to 1981 at prices ranging from \$1.86 per share to \$5.29 per share.

(c) The company holds 30,100 shares which were purchased for \$67,603 which have been treated as a reduction of issued share capital pending resale or retirement.

5. PROVISION FOR INCOME AND MINERAL RESOURCE TAXES

The provision for income and mineral resource taxes

included in the statement of earnings for the year ended December 31, 1976 is comprised of:

	1976		1975	
	Current \$	Deferred \$	Total \$	Total \$
British Columbia				
Mineral resource tax.....	532,000	(71,000)	461,000	1,122,000
Corporation income taxes.....	260,000	(85,000)	175,000	256,000
	<u>792,000</u>	<u>(156,000)</u>	<u>636,000</u>	<u>1,378,000</u>
Canada				
Corporation income taxes.....	266,000	(225,000)	41,000	733,000
	<u>1,058,000</u>	<u>(381,000)</u>	<u>677,000</u>	<u>2,111,000</u>

6. COMMITMENTS

The company has commitments for the expenditure of \$458,000 on drilling and exploration during 1977.

Additional expenditures required during 1977 to maintain in good standing option agreements which may be terminated upon notice, total approximately \$85,000.

7. STATUTORY INFORMATION

During the year ended December 31, 1976, the directors and senior officers of the company were paid aggregate direct remuneration totalling \$388,692 (1975 — \$334,774).

8. ANTI-INFLATION ACT

The company is subject to restrictions on prices, profit margins, dividends and employee compensation under the terms of the Anti-Inflation Act and Regulations.





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LABRADOR

NEWFOUNDLAND

Timmins

Montréal

NEW
BRUNSWICK

P.E.I.

NOVA
SCOTIA

Ottawa

Toronto

T A T E S



MINERAL PROPERTIES (Other than Uranium)



URANIUM PROPERTIES

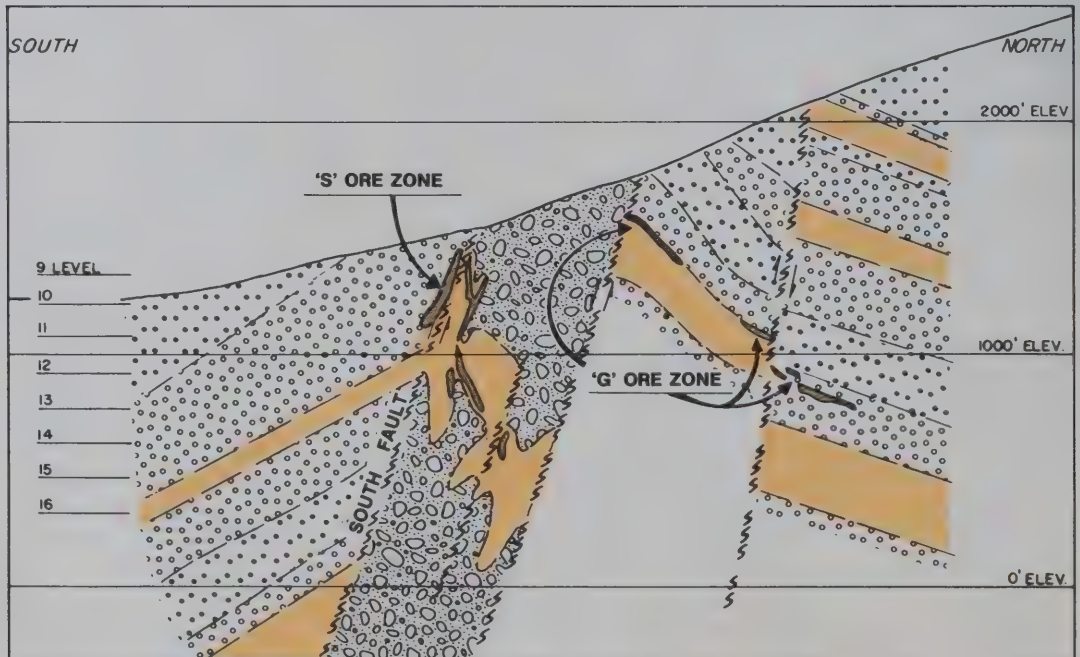
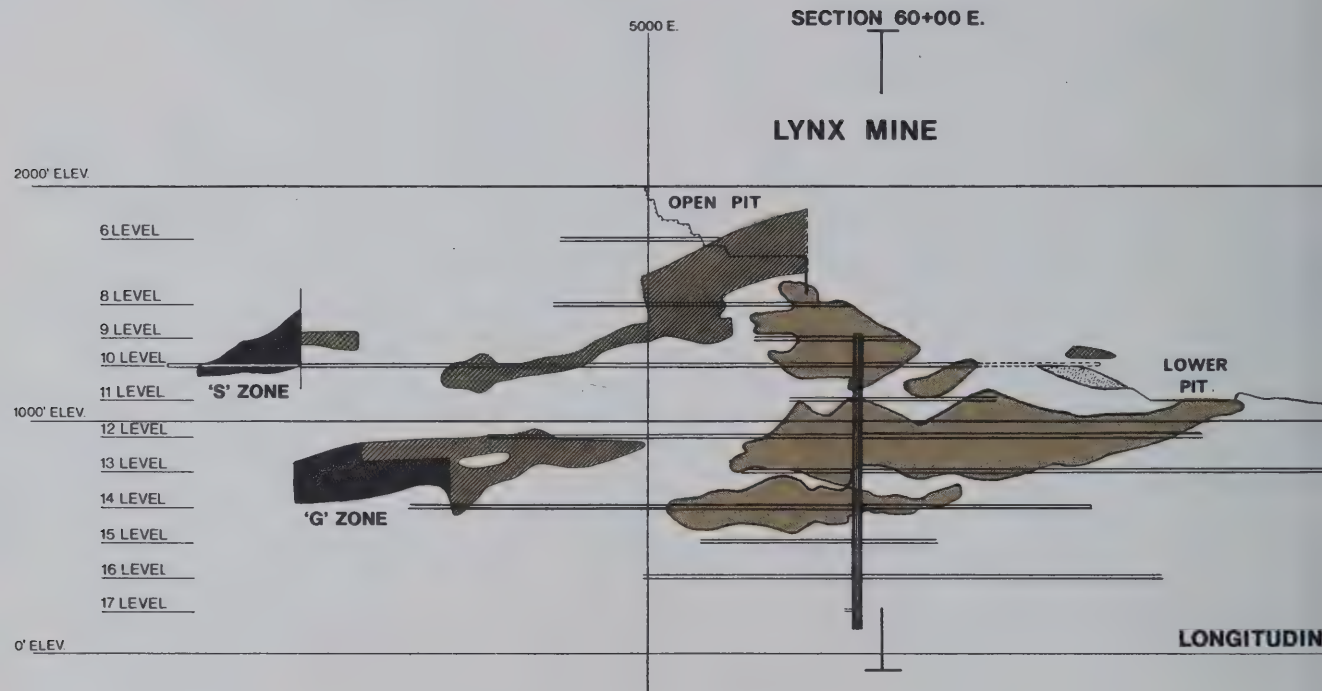


ABANDONED 1976 PROPERTIES



OIL PRODUCER

LYNX MINE & MYR SCHEMATIC PRESENTATION



GENERAL SECTION LOOKING WEST (LYNX)

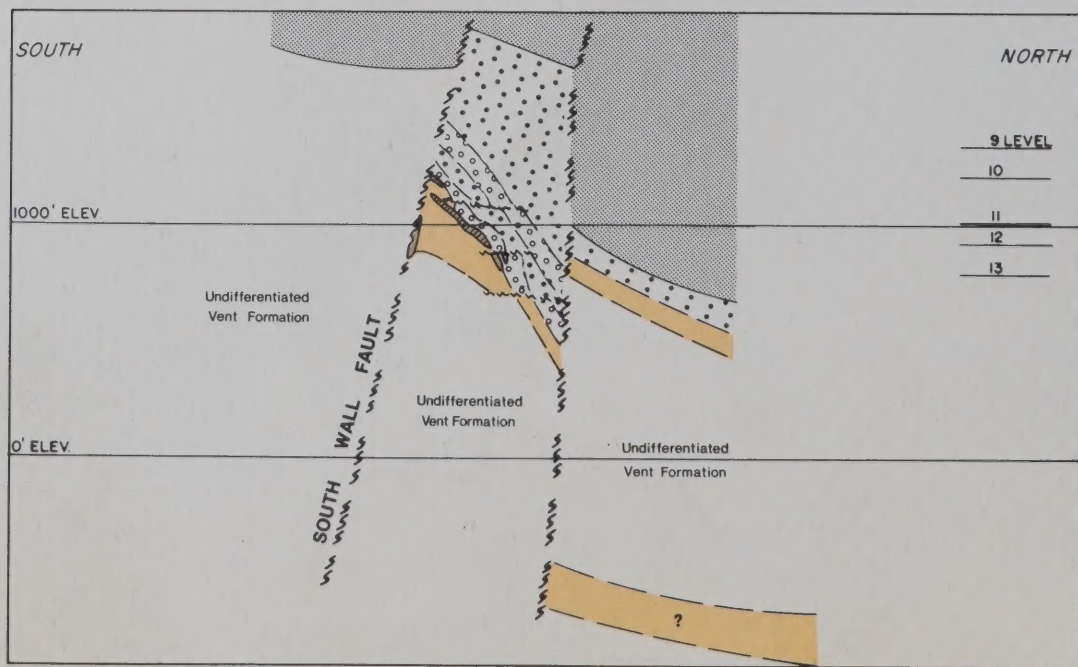
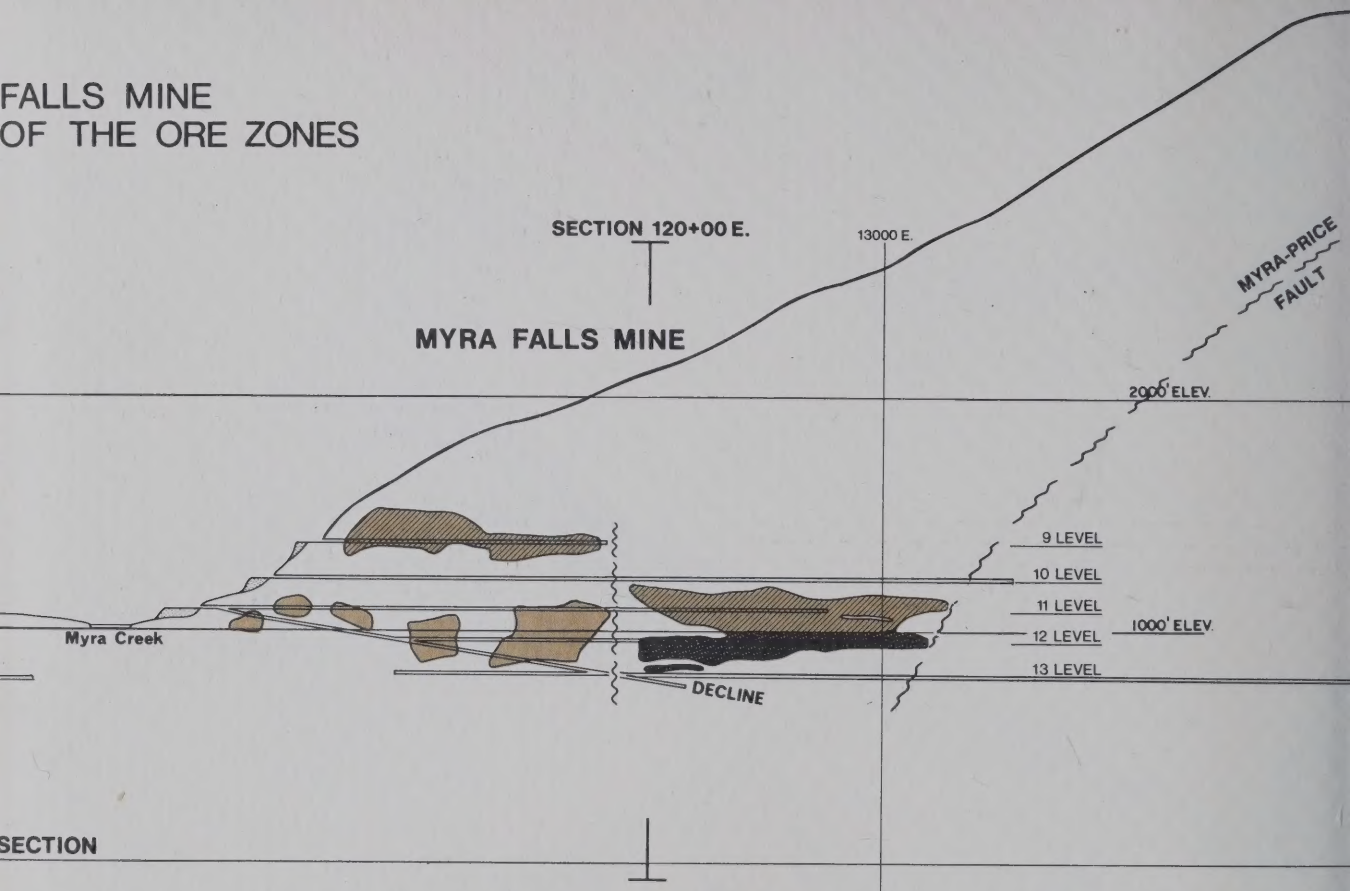
SUMMARY OF OPERATIONS

	Years Ended December 31				
	1972	1973	1974	1975	1976
Net operating income before the following	\$3,044,197	\$9,225,673	\$10,381,453	\$5,329,213	\$5,060,982
Investment and other income	111,811	224,434	921,477	910,042	503,390
	3,156,008	9,450,107	11,302,930	6,239,255	5,564,372
Depreciation	744,579	1,197,131	1,660,182	1,609,445	1,489,697
Exploration	164,268	378,458	1,250,162	1,544,927	3,034,990
Interest on long term debt	13,052	5,880			
Loss on disposals and write-down of assets.....	(27,292)	654,712	1,019,671	309,709	43,776
Taxes on income including deferred taxes	282,675	1,680,000	4,550,000	2,111,000	677,000
	1,177,282	3,916,181	8,480,015	5,575,081	5,245,463
Net earnings	\$1,978,726	\$5,533,926	\$ 2,822,915	\$ 664,174	\$ 318,909
Shares issued	5,207,816	5,210,616	5,181,516	5,213,566	5,328,938
Earnings per share	38¢	\$1.06	54¢	13¢	6¢
Dry tons milled	379,405	354,240	297,290	287,393	296,846
Copper concentrate produced	24,436	13,320	10,320	8,877	9,934
Zinc concentrate produced	33,630	43,838	37,346	34,416	35,604
Lead concentrate produced	3,830	8,830	8,648	7,613	7,981
Ore reserves proven	1,746,000	1,671,100	1,887,900	1,731,300	1,704,000

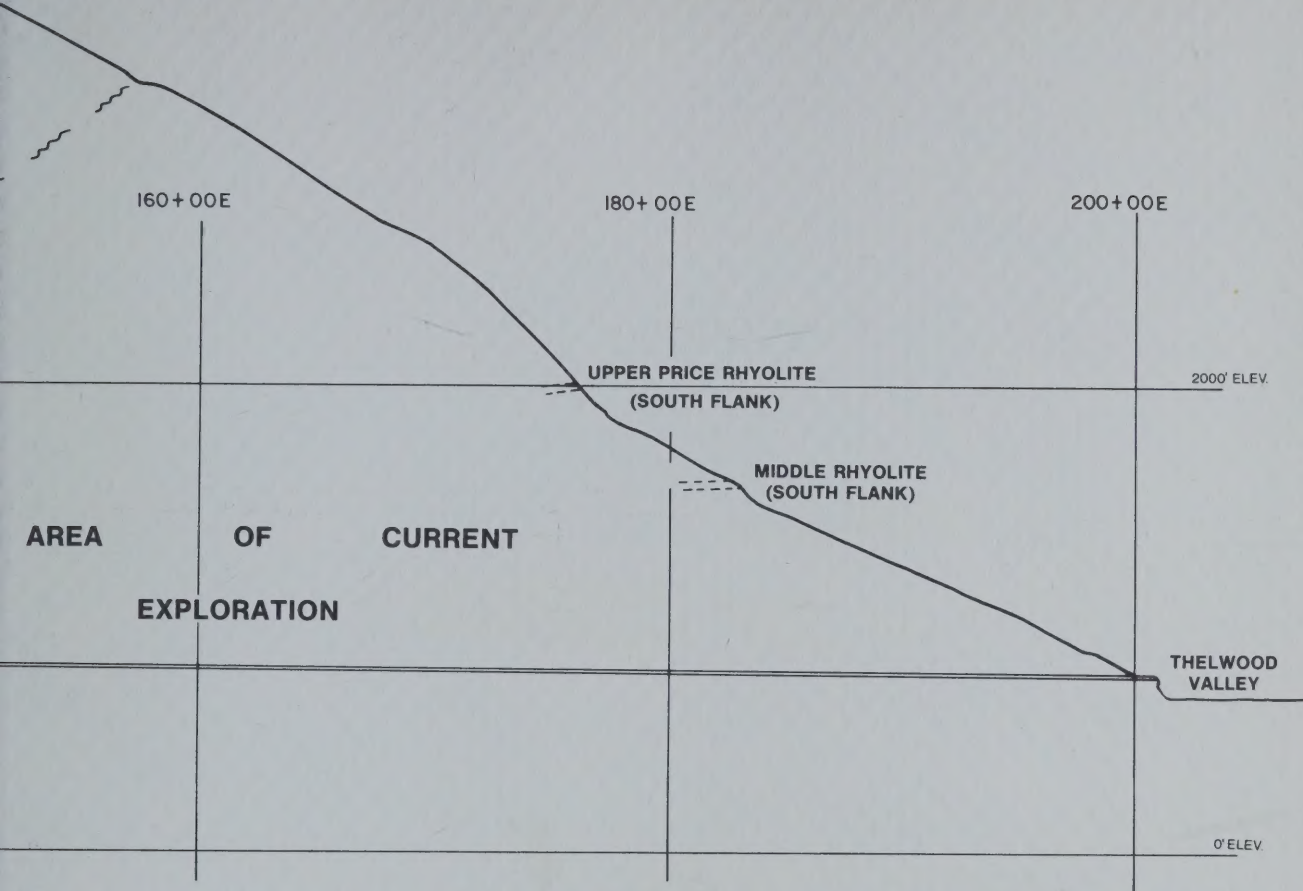
Valuation Day

On December 22, 1971, established as Valuation Day by the Canadian Department of National Revenue, the price of the Company's shares was \$2.55 per share.

FALLS MINE OF THE ORE ZONES



CROSS-SECTION 120+00 E. LOOKING WEST (MYRA)



LEGEND



NEW ORE ADDED
TO RESERVES IN 1976

ORE TYPES



NORTH WALL



NORTH WALL HIGH GRADE



SOUTH WALL

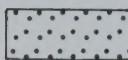


FUMEROLE(?)

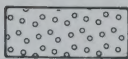
ROCK TYPES



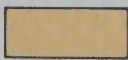
BANDED TUFF FORMATION



LAPILLI TUFF



LITHIC TUFF



RHYOLITE



ALTERED ZONE

VENT
FORMATION

SCALE IN FEET

